



MSRP E-NEWS

A newsletter from the Board of Trustees of the Maryland Teachers & State Employees Supplemental Retirement Plans

MSRP Investment Definitions Explained

NASDAQ

An acronym for National Association of Securities Dealers Automated Quotations. An information network that provides brokers and dealers with price quotations for trading on the over-the-counter-market

Net asset value

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The actual true value of each share of a mutual fund. This is calculated by dividing the total value of the fund by the number of shares the fund currently has outstanding. Net asset value, or "NAV," of an [investment company](#) is the company's total assets minus its total liabilities. For example, if an investment company has securities and other assets worth \$100 million and has liabilities of \$10 million, the investment company's NAV will be \$90 million. Because an investment company's assets and liabilities change daily, NAV will also change daily. NAV might be \$90 million one day, \$100 million the next, and \$80 million the day after.

NAVs are helpful in keeping an eye on your mutual fund's price movement, but NAVs are **not** the best way to keep track of performance. The reason for this is [mutual fund distributions](#). Mutual funds are forced by law to distribute at least 90% of its' realized capital gains and dividend income each year. When a fund pays out this distribution, the NAV drops by the amount paid. This is important because an investor may become frightened when they see their fund's NAV drop by \$3 even though **they haven't lost any money** (the \$3 was paid out to the shareholder).

No-load funds

Mutual funds that can be purchased, sold, and owned without any commissions. The only charges involved are management fees. Shares are sold at the net asset value price, and no sales-person is paid to sell the shares.

All current MSRP funds are no-load mutual funds. Our fees are extremely low at .28% (\$2.80) per \$1000 in account not to exceed \$1900.00 per year.

Compound interest

Interest paid on interest. This occurs when interest is paid on an investment at periodic intervals, which is then added to the amount of the investment. As a result, future interest payments are based on the original investment plus an increasing amount of interest added to it

The most powerful force in the universe is compound interest-Albert Einstein

Mutual funds

Professionally managed pools of investments which provide an individual investor with an opportunity to invest in the stock market or other areas without the responsibility of making specific investments. Mutual funds make saving and investing simple, accessible, and affordable. The advantages of mutual funds include professional management, diversification, variety, liquidity, affordability, convenience, and ease of recordkeeping-as well as strict government regulation and full disclosure

Growth fund

A mutual fund whose aim is to achieve capital appreciation by investing in growth stocks. They focus on companies that are experiencing significant earnings or revenue growth, rather than companies that pay outdividends. The hope is that these rapidly growing companies will continue to increase in value, thereby allowing the fund to reap the benefits of large capital gains. In general, growth funds are more volatile than other types of funds, rising more than other funds in bull markets and falling more in bear markets.

Institutional fund

A mutual fund that targets pension funds, endowments, and other high net worth entities and individuals. Institutional funds usually have lower operating costs and higher minimum investments than retail funds. Often their main objective is to reduce risk, so they invest in hundreds of different securities, which makes them among the most diversified funds available. They also do not tend to trade securities very often, so they are able to keep operating costs to a minimum

Risk

The chance that an investment's actual return will be different than expected. This includes the possibility of losing some or all of the original investment. It is usually measured using the historical returns or average returns for a specific investment.

Top 10 Holdings

This section lists a mutual fund's top holdings as a percentage of total assets. The top 10 holdings of a mutual fund can give you some idea of where a fund manager is investing your money. Mutual funds have all kinds of stated objectives, and even have names that imply a certain investment style. But funds sometimes are not what they seem. Check the fund's holdings to make sure you understand what you're buying.